Condensed Consolidated Interim Financial Statements of

HORIZON NORTH

Three months ended March 31, 2016 and 2015 (Unaudited)

Condensed consolidated statement of financial position (Unaudited)

(000's)	March 31, 2016	December 31, 2015
Assets		
Current assets:		
Trade and other receivables	$ 63,357	$ 48,878
Inventories	11,460	11,316
Prepayments	3,181	3,677
Income taxes receivable	4,084	3,648
Total Current assets	82,082	67,519
Non-current assets:		
Property, plant and equipment (Note 4)	390,692	398,727
Deferred tax assets	251	283
Other assets	3,316	2,975
Total Non-current Assets	394,259	401,985
Total Assets	$ 476,341	$ 469,504
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables	$ 26,178	$ 30,626
Deferred revenue	610	832
Current portion of asset retirement obligation	1,657	985
Total Current liabilities	28,445	32,443
Non-current liabilities:		
Asset retirement obligations	9,323	9,063
Loans and borrowings (Note 5)	70,088	57,527
Deferred tax liabilities	37,745	37,110
Total Liabilities	145,601	136,143
Shareholders' equity:		
Share capital (Note 7)	265,867	265,867
Contributed surplus	14,806	14,451
Accumulated other comprehensive income	762	831
Retained earnings	49,305	52,212
Total Shareholders' equity	330,740	333,361
Total Liabilities and Shareholders' equity	$ 476,341	$ 469,504

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of comprehensive income (loss) (Unaudited)
Three months ended March 31, 2016 and 2015

(000's except per share amounts)	Three months ended March 31, 2016	2015
Revenue	$ 77,909	$ 133,968
Operating expenses:		
Direct costs	60,455	98,847
Depreciation (Note 4)	12,616	13,340
Share based compensation (Note 7)	184	378
Loss (gain) on disposal of property, plant and equipment	86	(41)
Direct operating expenses	73,341	112,524
Gross profit	4,568	21,444
Selling & administrative expenses:		
Selling & administrative expenses	4,218	5,707
Share based compensation (Note 7)	171	298
Selling & administrative expenses	4,389	6,005
Operating earnings	179	15,439
Finance costs	569	1,322
Earnings from equity investments	(373)	-
(Loss) profit before tax	(17)	14,117
Current tax (recovery) expense	(433)	2,467
Deferred tax expense	672	1,368
Income tax expense (Note 6)	239	3,835
Total (loss) profit	(256)	10,282
Other comprehensive income:		
Translation of foreign operations	(69)	418
Other comprehensive (loss) income, net of income tax	(69)	418
Total comprehensive (loss) income	$ (325)	$ 10,700
(Loss) earnings per share:		
Basic (Note 9)	$ (0.00)	$ 0.09
Diluted (Note 9)	$ (0.00)	$ 0.09

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of changes in equity (Unaudited)

(000's)	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balance at December 31, 2014	$ 185,592	$ 13,523	$ 774	$ 86,685	$ 286,574
Total profit	-	-	-	10,282	10,282
Share based compensation	-	676	-	-	676
Translation of foreign operations	-	-	418	-	418
Dividends (Note 8)	-	-	-	(8,840)	(8,840)
Balance at March 31, 2015	$ 185,592	$ 14,199	$ 1,192	$ 88,127	$ 289,110
Total loss	-	-	-	(11,114)	(11,114)
Share based compensation	-	1,041	-	-	1,041
Share options exercised	2,799	(789)	-	-	2,010
Translation of foreign operations	-	-	(361)	-	(361)
Issue of share capital (Note 7)	80,644	-	-	-	80,644
Share issue costs, net of tax (Note 7)	(3,168)	-	-	-	(3,168)
Dividends (Note 8)	-	-	-	(24,801)	(24,801)
Balance at December 31, 2015	$ 265,867	$ 14,451	$ 831	$ 52,212	$ 333,361
Total loss	-	-	-	(256)	(256)
Share based compensation (Note 7)	-	355	-	-	355
Translation of foreign operations	-	-	(69)	-	(69)
Dividends (Note 8)	-	-	-	(2,651)	(2,651)
Balance at March 31, 2016	$ 265,867	$ 14,806	$ 762	$ 49,305	$ 330,740

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

Condensed consolidated statement of cash flows (Unaudited)
Three months ended March 31, 2016 and 2015

HORIZON NORTH

(000's)	March 31, 2016	March 31, 2015
Cash provided by (used in):		
Operating activities:		
(Loss) profit for the period	$ (256)	$ 10,282
Adjustments for:		
Depreciation	12,616	13,340
Share based compensation (Note 7)	355	676
Amortization of other assets	32	32
Loss (gain) on sale of property, plant and equipment	123	(1,267)
Earnings on equity investments	(373)	-
Unrealized foreign exchange	(70)	415
Finance costs	569	1,322
Income tax expense (Note 6)	239	3,835
Funds from operations	13,235	28,635
Income taxes paid	(3)	(2,929)
Interest paid	(563)	(1,301)
Changes in non-cash working capital items	(16,120)	7,981
Net cash flows (used in) from operating activities	(3,451)	32,386
Investing activities:		
Purchase of property, plant and equipment (Note 4)	(7,455)	(15,188)
Proceeds on sale of property, plant and equipment	3,649	2,958
Net cash flows used in investing activities	(3,806)	(12,230)
Financing activities:		
Proceeds from (repayment of) loans and borrowings	12,561	(11,316)
Payment of dividends (Note 8)	(5,304)	(8,840)
Net cash flows from (used in) financing activities	7,257	(20,156)
Change in cash position	-	-
Cash, beginning of period	-	-
Cash, end of period	$ -	$ -

The accompanying notes are an integral part of the condensed consolidated interim financial statements.

1. Reporting Entity

Horizon North Logistics Inc. ("Horizon North" or the "Corporation") is a company registered and domiciled in Canada and is a publicly-traded company, listed on the Toronto Stock Exchange under the symbol HNL. The Corporation's registered offices are at 1600, 505 – 3rd Street SW, Calgary, AB T2P 3E6. The condensed consolidated interim financial statements of the Corporation as at and for the three month period ended March 31, 2016 comprise the Corporation and its subsidiaries and the Corporation's interest in associates and jointly controlled entities. Horizon North provides camp & catering services and ground matting services to oil and gas exploration and production companies, oilfield service companies and mining companies working on oil sands, mineral exploration and development and conventional oil and gas projects primarily in western Canada.

2. Basis of Presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" as issued by the International Accounting Standards Board ("IASB") and using the accounting policies the Corporation adopted in its consolidated financial statements for the year ended December 31, 2015. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements. These financial statements were approved by the board of directors of Horizon North on May 4, 2016.

(b) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Corporation's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2015.

3. Significant Accounting Policies and Determination of Fair Values

The accounting policies and determination of fair values were set out in Note 3 and 4 of the Corporation's annual consolidated financial statements for the year ended December 31, 2015 and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

As a result, these condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015.

4. Property, Plant and Equipment

Cost *(000's)*	Balance December 31 2015	Additions	Disposals	Impact of Foreign Translation	Balance March 31, 2016
Camp facilities, setup & installation	$ 470,307	$ 7,096	$ (5,603)	$ (9)	$ 471,791
Land & Buildings	55,105	1,846	(8)	-	56,943
Automotive & trucking equipment	44,684	211	(6)	-	44,889
Mats	18,594	872	(413)	-	19,053
Furniture, fixtures & other equipment	8,063	-	-	-	8,063
Asset retirement obligations	9,326	902	-	-	10,228
Assets under construction	8,482	(2,570)	-	-	5,912
	$ 614,561	$ 8,357	$ (6,030)	$ (9)	$ 616,879

Accumulated Depreciation *(000's)*	Balance December 31 2015	Depreciation	Disposals	Impact of Foreign Translation	Balance March 31, 2016
Camp facilities, setup & installation	$ 159,758	$ 8,828	$ (1,973)	$ (5)	$ 166,608
Land & Buildings	9,961	422	-	-	10,383
Automotive & trucking equipment	25,264	1,291	(6)	-	26,549
Mats	13,135	1,387	(279)	-	14,243
Furniture, fixtures & other equipment	4,890	279	-	-	5,169
Asset retirement obligations	2,826	409	-	-	3,235
Assets under construction	-	-	-	-	-
	$ 215,834	$ 12,616	$ (2,258)	$ (5)	$ 226,187

Carrying Amounts *(000's)*	Balance December 31 2015	Balance March 31, 2016
Camp facilities, setup & installation	$ 310,549	$ 305,183
Land & Buildings	45,144	46,560
Automotive & trucking equipment	19,420	18,340
Mats	5,459	4,810
Furniture, fixtures & other equipment	3,173	2,894
Asset retirement obligations	6,500	6,993
Assets under construction	8,482	5,912
	$ 398,727	$ 390,692

4. Property, Plant and Equipment (continued)

Cost *(000's)*	Balance December 31 2014	Additions	Disposals	Impact of Foreign Translation	Balance March 31 2015
Camp facilities, setup & installation	$ 454,094	$ 3,547	$ (3,348)	$ 11	$ 454,304
Land & Buildings	46,552	1,030	-	-	47,582
Automotive & trucking equipment	46,022	15	(507)	-	45,530
Mats	14,138	6,436	(1,952)	-	18,622
Furniture, fixtures & other equipment	6,566	11	-	-	6,577
Asset retirement obligations	5,316	-	-	-	5,316
Assets under construction	4,477	4,149	-	-	8,626
	$ 577,165	$ 15,188	$ (5,807)	$ 11	$ 586,557

Accumulated Depreciation *(000's)*	Balance December 31 2014	Depreciation	Disposals	Impact of Foreign Translation	Balance March 31 2015
Camp facilities, setup & installation	$ 130,868	$ 9,550	$ (2,643)	$ 7	$ 137,782
Land & Buildings	8,137	408	-	-	8,545
Automotive & trucking equipment	22,450	1,425	(507)	-	23,368
Mats	9,174	1,299	(966)	-	9,507
Furniture, fixtures & other equipment	3,647	310	-	-	3,957
Asset retirement obligations	1,759	348	-	-	2,107
Assets under construction	-	-	-	-	-
	$ 176,035	$ 13,340	$ (4,116)	$ 7	$ 185,266

Carrying Amounts *(000's)*	Balance December 31 2014	Balance March 31 2015
Camp facilities, setup & installation	$ 323,226	$ 316,522
Land & Buildings	38,415	39,037
Automotive & trucking equipment	23,572	22,162
Mats	4,964	9,115
Furniture, fixtures & other equipment	2,919	2,620
Asset retirement obligations	3,557	3,209
Assets under construction	4,477	8,626
	$ 401,130	$ 401,291

5. Loans and Borrowings

(000's)		March 31, 2016		December 31, 2015
Committed credit facility	$	70,088	$	57,527

The carrying value of Horizon North's debt approximates its fair value, as the majority of the debt bears interest at variable rates which approximates current market rates.

The Corporation's committed credit facility ("credit facility") has an available limit of $200,000,000 and is secured by a $400,000,000 first fixed and floating charge debenture over all assets of the Corporation and its wholly owned subsidiaries. The interest rate is calculated on a grid pricing structure based on the Corporation's debt to EBITDAS ratio. Debt to EBITDAS is calculated as at the most recently completed calendar quarter and for the 12 months ended on such date. Amounts drawn on the credit facility incur interest at bank prime rate plus 0.50% to 1.75% or the Bankers' Acceptance rate plus 1.50% to 2.75%. The credit facility has a standby fee ranging from 0.34% to 0.62%. Amounts borrowed under the facility become due on March 31, 2018, the maturity date of the facility. The credit facility is subject to the following financial covenants:

	Covenants March 31, 2016	**Debt Covenants**
Maximum Consolidated Senior debt *(1)* to Consolidated EBITDAS ratio *(3)(4)*	1.51:1.00	3.00:1.00 or less
Maximum Consolidated Total debt *(2)* to Consolidated EBITDAS ratio *(3)(5)*	1.51:1.00	4.25:1.00 or less
Minimum Consolidated Interest coverage ratio*(6)*	18.1:1.00	3.00:1.00 or more

(1) Senior debt is calculated as the sum of current and long-term portions of loans and borrowings less vehicle and equipment financing.
(2) Total debt is calculated as the sum of current and long-term portions of loans and borrowings.
(3) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.
(4) Senior debt to EBITDAS is calculated as the ratio of senior debt to trailing 12 months EBITDAS.
(5) Total debt to EBITDAS is calculated as the ratio of total debt to trailing 12 months EBITDAS.
(6) Interest coverage is calculated as the ratio of trailing 12 months EBITDAS to 12 months trailing interest expense on loans and borrowings.

As at March 31, 2016, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

6. Income Taxes

The provision for income taxes differs from that which would be expected by applying statutory rates. A reconciliation of the difference is as follows:

	Three months ended March 31,			
(000's)		2016		2015
(Loss) earnings before income taxes	$	(17)	$	14,117
Combined federal and provincial income tax rate(1)		27.0%		25.0%
Expected income tax (recovery) provision	$	(5)		3,529
Non-deductible share based compensation		96		169
Revisions to prior year tax estimates		-		269
Differences in jurisdictional tax rates		217		(41)
Non-taxable portion of capital gain		(14)		(34)
Other		(55)		(57)
	$	239	$	3,835

(1) The Alberta Government increased the corporate provincial income tax rate to 12% from 10% with a blended corporate rate of 11% for the year ended December 31, 2015. This change was substantively enacted in June 2015.

7. Share Capital

(a) Authorized

Unlimited number of voting common shares without nominal or par value.
Unlimited number of preferred shares issuable in series.

(b) Issued

	Number	Amount *(000's)*
Balance at December 31, 2014 and March 31, 2015	110,501,651	$ 185,592
Share options exercised	600,000	2,799
Bought-deal equity financing	21,505,000	80,644
Share issue costs, net of tax of $1.2M	-	(3,168)
Balance at December 31, 2015 and March 31, 2016	132,606,651	$ 265,867

On July 8, 2015, the Corporation closed a bought deal equity financing agreement with a syndicate of underwriters that purchased 21,505,000 common shares of the Corporation for resale to the public, including overallotment, at a price of $3.75 per common share for gross proceeds of $80,643,750. In connection with the offering, the Corporation incurred approximately $4,317,000 in transaction costs which included $4,032,000 in agent fees. Total transaction costs, net of tax, were applied against the proceeds in share capital during the year ended December 31, 2015.

(c) Share option plan

The Corporation has a share option plan for its directors, officers, and key employees whereby options may be granted, to a maximum of 10% of the issued and outstanding common shares, subject to certain terms and conditions. Share option vesting privileges are at the discretion of the Board of Directors and were set at three years. The Corporation uses graded vesting for share options over the period in which the option vests. All share options are equity settled with a weighted average remaining contractual life of 3.3 years and all options granted have a maximum term of 5 years.

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Outstanding options	Weighted average exercise price	Outstanding options	Weighted average exercise price
Balance, beginning of period	7,353,154	$ 4.84	5,319,987	$ 6.47
Granted	1,470,000	1.16	3,655,000	2.37
Forfeited	(46,233)	6.58	(1,021,833)	5.34
Exercised	-	-	(600,000)	3.35
Balance, end of period	8,776,921	$ 4.21	7,353,154	$ 4.84

7. Share Capital (continued)

(c) Stock option plan (continued)

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Exercisable options	Weighted average exercise price	Exercisable options	Weighted average exercise price
Balance, beginning of period	2,709,455	$ 6.59	2,043,706	$ 5.41
Vested	994,308	2.36	1,676,047	6.78
Forfeited	(46,233)	6.58	(410,298)	6.21
Exercised	-	-	(600,000)	3.35
Balance, end of period	3,657,530	$ 5.44	2,709,455	$ 6.59

The exercise prices for options outstanding at March 31, 2016 are as follows:

	Total options outstanding			Exercisable options	
Exercise price per share	Number	Weighted average exercise price per share	Weighted average remaining contractual life in years	Number	Weighted average exercise price per share
$1.16 to $1.73	1,470,000	$ 1.16	4.9	-	$ -
$1.74 to $2.34	2,936,500	2.30	3.9	978,808	2.30
$2.35 to $6.27	2,277,186	5.60	1.7	1,833,519	6.18
$6.28 to $7.29	245,000	6.76	2.0	184,166	6.77
$7.30 to $9.01	1,848,235	7.64	3.2	661,037	7.66
	8,776,921	$ 4.21	3.3	3,657,530	$ 5.44

The Corporation calculated the fair value of the share options granted using the Black-Scholes pricing model to estimate the fair value of the share options issued at the date of grant. The weighted average fair market value of all options granted during the three months ended March 31, 2016 and the assumptions used in their determination are as follows:

	March 31, 2016	December 31, 2015
Weighted average fair value per option	$ 0.31	$ 0.30
Weighted average forfeiture rate	7.98%	7.41%
Weighted average grant price	$ 1.16	$ 2.37
Weighted average expected life	3.0 years	3.0 years
Weighted average risk free interest rate	0.55%	0.50%
Weighted average dividend yield rate	7.1%	13.7%
Weighted average volatility	60.96%	46.39%

Expected volatility is estimated by considering historic average share price volatility. For the three months ended March 31, 2016, share based compensation for stock options included in the net loss amounted to $355,000 (March 31, 2015 - $676,000).

8. Dividends

On February 24, 2016, the Corporation's Board of Directors declared a dividend for the first quarter of 2016 at $0.02 per common voting share. For the three months ended March 31, 2016, the Corporation paid dividends totaling $5,304,000 (March 31, 2015 - $8,840,000).

(000's except per share amounts)	**2016**		**2015**	
Record Date	Amount per share	Total dividend amount	Amount per share	Total dividend amount
March 31	$ 0.02	$ 2,651	$ 0.08	$ 8,840
June 30	-	-	0.08	8,888
September 30	-	-	0.08	10,609
December 31	-	-	0.04	5,304
	$ 0.02	$ 2,651	$ 0.28	$ 33,641

On May 4, 2016, the Corporation's Board of Directors declared a dividend for the second quarter of 2016 at $0.02 per common voting share. The dividend is payable to shareholders of record at the close of business on June 30, 2016 to be paid on July 15, 2016.

9. Earnings (Loss) Per Share

The calculation of basic earnings per share for the three months ended March 31, 2016 was based on the total (loss) profit attributable to common shareholders of ($256,000) (March 31, 2015 – $10,282,000).

A summary of the common shares used in calculating earnings per share is as follows:

	Three months ended March 31	
	2016	2015
Number of common shares, beginning of period	132,606,651	110,501,651
Weighted average common shares outstanding – basic	132,606,651	110,501,651
Effect of share purchase options[(1)]	-	-
Weighted average common shares outstanding – diluted	132,606,651	110,501,651

(1) The Corporation utilizes the treasury stock method for calculating the dilutive effect of share purchase options when the average market price of the Corporation's common share during the period exceeds the exercise price of the option.

For the three months ended March 31, 2016, 8,776,921 share purchase options, respectively (March 31, 2015 – 8,415,321) were excluded from the calculation of weighted average common shares outstanding - diluted as the result would be anti-dilutive.

10. Operating segments

The Corporation operates in Canada and the United States through two business segments: Camps & Catering and Matting. The Camps & Catering segment includes camp rental and catering services, as well as the manufacture, sale and repair of camps. Matting includes mat rental, installation and fleet management services, as well as the manufacture and sale of mats. Corporate includes the costs of head office administration, interest costs, taxes, other corporate costs and residual assets and liabilities.

Information regarding the results of all segments is included below. Inter-segment pricing is determined on an arm's length basis.

Three months ended March 31, 2016 *(000's)*	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 72,205	$ 5,704	$ -	$ -	$ 77,909
EBITDAS[(1)]	14,623	1,070	(2,457)	-	13,236
Depreciation and amortization	10,539	1,891	234	(48)	12,616
Loss on disposal of assets	86	-	-	-	86
Share based compensation	144	40	171	-	355
Operating earnings (loss)	3,854	(861)	(2,862)	48	179
Total assets	444,418	24,623	7,300	-	476,341
Capital expenditures	6,440	875	140	-	7,455

Three months ended March 31, 2015 *(000's)*	Camps & Catering	Matting	Corporate	Inter-segment Eliminations	Total
Revenue	$ 122,824	$ 11,569	$ -	$ (425)	$ 133,968
EBITDAS[(1)]	30,315	2,078	(2,979)	-	29,414
Depreciation and amortization	11,074	2,092	221	(47)	13,340
(Gain) on disposal of assets	(41)	-	-	-	(41)
Share based compensation	303	75	298	-	676
Operating earnings (loss)	18,979	(89)	(3,498)	47	15,439
Total assets	482,900	41,612	3,414	-	527,926
Capital expenditures	$ 8,627	$ 6,510	$ 51	$ -	$ 15,188

(1) EBITDAS (Earnings before interest, taxes, depreciation, amortization, gain/loss on disposal of property, plant and equipment, earnings from equity investments, and share based compensation) is not a recognized measure under IFRS. Management believes that in addition to net earnings, EBITDAS is a useful supplemental measure as it provides an indication of the Corporation's ability to generate cash flow in order to fund working capital, service debt, pay current income taxes and fund capital programs, and it is regularly provided to and reviewed by the Chief Operating Decision Maker. Horizon North's method of calculating EBITDAS may differ from other entities and accordingly, EBITDAS may not be comparable to measures used by other entities.

11. Seasonality

Each of Horizon North's businesses has slightly different seasonal aspects. Certain segments of the Camps & Catering division are exposed to the seasonality of the western Canadian oil and natural gas drilling industry, where the busiest months are January through March and the slowest months are April through September. However, seasonality has been significantly reduced due to increased exposure in the oil sands and mining sectors, which operate year round. The Matting segment is busiest in the spring and summer months of April through September when soft ground conditions hinder the movement of heavy equipment.